

MEMO



TO: Mayor Nelson and the Board of Trustees

FROM: Matthew T. Fritz
Village Administrator

DATE: April 22, 2013

RE: FINAL FY14 BUDGET

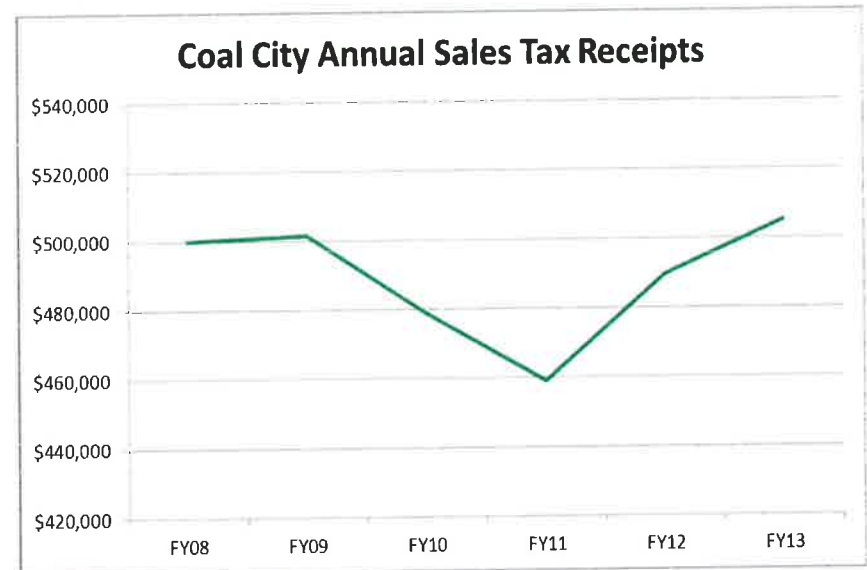
The FY14 Coal City budget benefits from returning revenues to the Village's annual contribution sources. Although assessed valuation for residential property within the Village is expected to decrease for up to two more years, overall revenues are returning to previous levels. This will assist the General Fund in improving an estimated \$125,000 greater than its closing fund balance on April 30, 2012. This added funding will be utilized quickly in the planned shortfall of the General Fund assisting with the cost of additional officers trained and hired within the Coal City Police Department. The operational portion of the annual budget, which is planned to be \$4,874,128 represents a 2.73% increase over the FY13 Final Budget. The total budget carries significantly less capital projects as the Storm Referendum projects complete their final improvements. The overall budget is 8.77% less than the FY13 Final Budget and totals \$10,472,734. Annual revenues and utilizing existing fund balances will provide balanced revenues for the total expenditures (i.e. \$8,382,238 in new revenue combined with planned capital drawdowns of another \$2,090,496). Fund balance drawdowns are planned for the following funds - General (#01), Storm Referendum Projects (#35), Garbage (#52), and Parks (#71). The summary listed below shows the operations of the annual budget.

FY14 Proposed				FY13 Budget			
Expenses		Revenues		Expenses		Revenues	
01-01 Administration	\$541,959	Fund# 01	\$2,471,193	01-01 Administration	\$551,898	Fund #01	\$2,458,583
01-21 Police Department	1,477,142	16	<u>163,814</u>	01-21 Police Department	1,342,248	16	<u>160,113</u>
01-31 Comm. Development	99,982	Subtotal	\$2,635,007	01-31 Comm. Development	94,083	Subtotal	\$2,618,696
01-41 Maintenance	677,014			01-41 Maintenance	681,138		
01-71 EMA	19,500	51	\$1,369,324	01-71 EMA	15,500	51	\$1,492,200
16-00 IMRF/Social Security	<u>218,280</u>	52	419,775	16-00 IMRF/Social Security	<u>194,037</u>	52	417,050
Subtotal	\$3,033,877	71	<u>84,977</u>	Subtotal	\$2,878,904	71	<u>88,266</u>
		TOTAL	\$4,509,083			TOTAL	\$4,616,212
51-00 Water/Sewer	\$1,309,014	End of FY13 Fund Balance Increase		51-00 Water/Sewer	\$1,317,330		
52-00 Garbage Collection	439,221		\$125,000	52-00 Garbage Collection	444,317		
71-00 Parks	<u>92,016</u>			71-00 Parks	<u>104,231</u>		
Subtotal	\$4,874,128	TOTAL	\$4,634,083	TOTAL	\$4,744,782		
95% Utilization	(\$243,706)						
TOTAL	\$4,630,422						

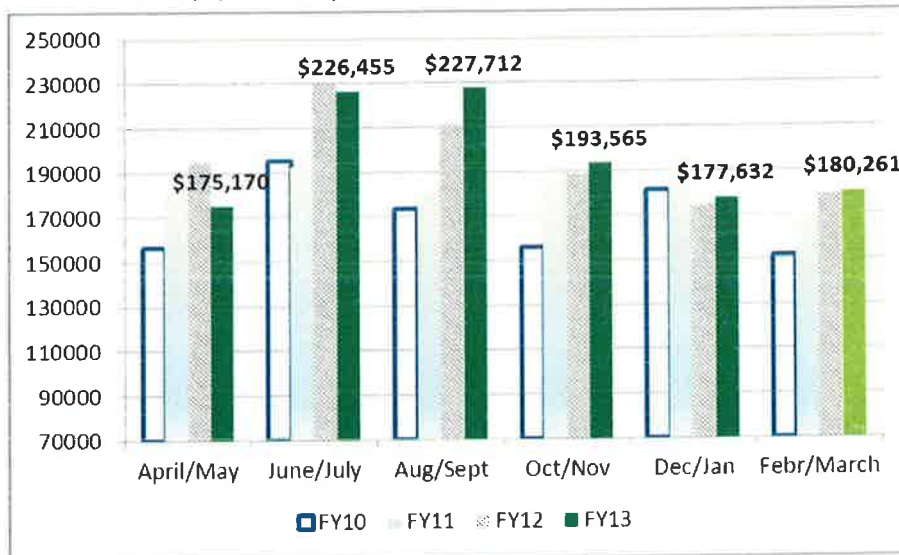
Purchases that have been set aside for a number of years are necessary within FY14. This includes new squad cars within the Police Department as well as new officers. The Village conducted a study in 2012 as the Department had reached a low mark for total personnel and was in a strategic position to consolidate or contract services with Grundy County. The Board determined after the feasibility study had been conducted to continue running police operations independently for its Village residents. This increase in Police Department expenditures comes as General Fund balance has improved. End of year projections have the General Fund balance improving by nearly \$125,000 over last year's ending balance. This is due to revenues exceeding budgeted expectations by an estimated \$160,000. Instead of building the fund balance any higher, the proposed budget utilizes these revenues and FY14 increases in revenues to support the growing public safety budget of \$1,477,142 (85% of this total is related to personnel expenses).

Aside from supporting higher public safety costs, additional revenues are being collected for longer term utilization. Two funds have been created, Fund #02 – Building Fees Depreciation Fund, and Fund #39 – Municipal Facilities Fund are established to gain some of the newly expected revenue. Fund #02 will collect half of the Building Department's total fees on an annual basis; instead of depositing building permit revenues into the General Fund, these fees will be deposited ½ into Fund #01 and ½ into Fund #02. In FY15, the Village Board can determine how much of these funds shall return to Fund #01 for annual operations. Fund #39 will collect the sales tax receipts from the Village's initial economic incentive project. Whereas \$100,000 was formerly set aside to repay the terms of a redevelopment agreement, these proceeds will be placed in a capital fund to gather funds towards municipal facilities.

Annual operational costs place upwards pressure on the village's costs as well. Due to the Village becoming part of a collective health insurance purchasing consortium, its anticipated increase for this benefit is only 7%. This increase is trending positively and is expected to be even less in future renewals. Overall employment costs could fluctuate as the Village is currently bargaining with the Metropolitan Alliance of Police on a collective bargaining agreement concerning 37% of all full-time employees. The annual cost of liability and workers' compensation insurance increased this year due to the total filings over the past year. This will continue to affect the Village's renewals over the next two years as well.



Water/Sewer Total Receipts by Billing Cycle
 FY10 – 2/1/13 Receipts, February/March of FY13 Projected



Funding the Village's Enterprise Fund

The Village Board has taken a long-term approach on its utility funding. Although Fund #51, the village's Water/Sewer Fund, has been in a deficit position, rates have been set in order to complete a very limited number of improvements as well as repay the existing debt for the construction of Coal City's water and sewer treatment facilities. Revenues are highly dependent upon the amount of water consumed. The chart shows the data from the water/sewer bills over the past six years. Although the annual average amount of sales has increased, the utilization across each billing period is irregular. This provides some challenges when setting an annual rate for the Water/Sewer bills, but the current rate has assisted in bringing this fund back towards a positive position. This year's budget carries a slight surplus when comparing budgeted expenditures with revenues.

Aside from these utilities, the Village maintains a garbage hauling contract with Waste Management. Rather than wait for the contract renewal date in the third quarter of the year, the contractor has requested a long-term renewal to utilize the remaining renewals within this contract. The cost for this long-term contract is planned to carry along with it a \$1.00 increase in monthly rate over the next three years, but greater customer service will be attained as well. The annual spring and fall cleanups will be conducted curbside instead of requiring residents to bring refuse to the public works yard. Also, the Village will institute a "collect all system," which will no longer necessitate residents purchasing additional stickers if they wish to get rid of additional garbage. This recent renewal will provide additional services and fix the rate for up to 10 years rather than utilizing an annual renewal rate, which can increase the cost up to 5% year over year.

Benefits

Overall expenditures for personnel budget-wide continue to be stable. Although there are two new officers budgeted within the Police Department, Public Works will be less one employee versus last year. The hiring of these new officers comes after the attrition of three past departures. The proposed payroll represents a 5.18% increase over last year's payroll expenditures.

Coal City has and plans to continue to responsibly fund its employees' pensions. There are two pensions utilized by Village employees. The majority of employees belong to the Illinois Municipal Retirement Fund (IMRF), which was recently increased by an actuarial due to losses of the overall fund - Coal City's portion remains 100 % funded. The Police Pension is controlled by a local

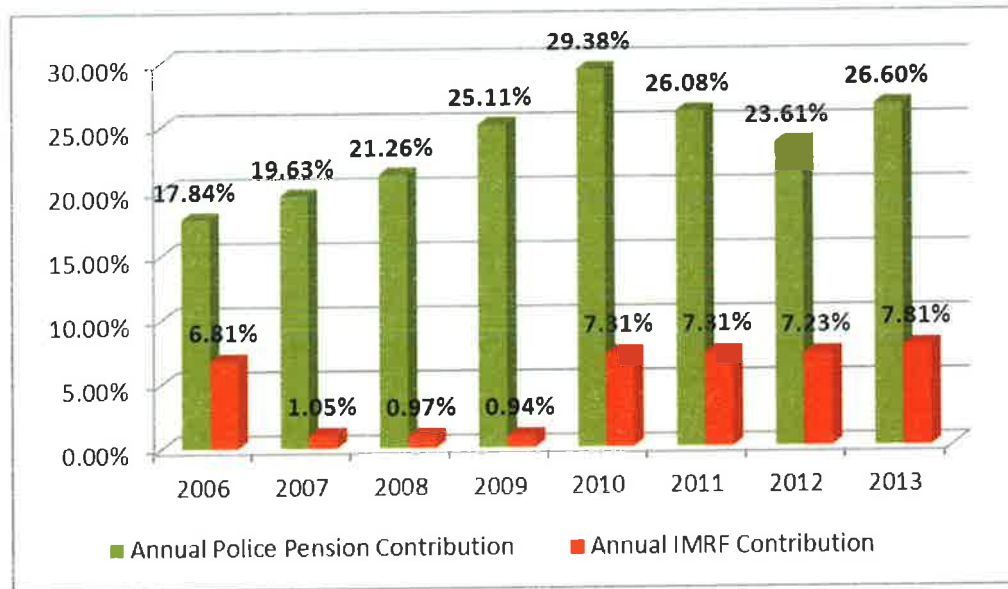
Police Pension Board and does not suffer from being unfunded like other state pension systems. Coal City's Police Pension currently has two retirees. Costs for this pension are significantly higher than IMRF. This year, the funding towards this pension increased due to a new standard set by the Illinois Department of Revenue in order to estimate the long-term return on investments within the fund; formerly investment assumed a 7% return, the new standards require the Pension Board to utilize a 5% annual return. There are 11 police pensioners and 13 IMRF pension employees.

Selection of Village Services

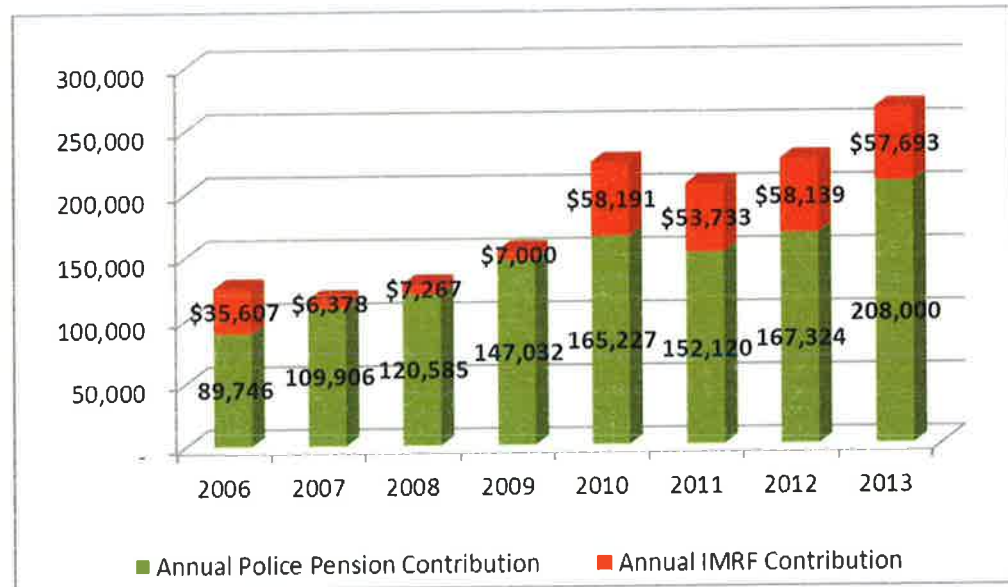
Although increasing revenues provide signs of optimism for the long-term health of the Village, its means of collecting revenue for regularly occurring operational expenses are constrained. The statutory limits of a "home rule" community only allow set avenues in which to pursue long-term sustained revenues. These limits become more problematic as State leadership continues to fumble with balancing its budget and continues to look elsewhere for revenue. For example, when Illinois passed its income tax increase, the portion that is collected for local municipalities did not proportionally increase; instead, the State of Illinois kept all new revenues received from this new found source of revenue. Efforts seem to continue wherein the State continues to examine municipal revenue sources for possible assistance to solve their shortfalls.

The current budget does enjoy some lower commodity costs that do not look to be increasing in

Percentage of Base Pay Contributed to Pension



Annual Dollars Contributed by Village to Pensions



FY14. These unit prices include the cost for gasoline and road salt. Last year's total expenditures for gasoline did not meet the inflationary factor provided in FY13 – this allows these line items to remain at last year's budgeted totals. Road salt increased slightly due to its cost, however, the Village still holds a surplus due to the mild winter Coal City has experienced. This will suppress the cost of this line item for another year. All in all, the FY14 Proposed Budget is a carefully measured approach to continuing the operations of the Village of Coal City. Some of the highlighted expenditures below are programmed within the departmental proposed budgets.

- *Purchase Equipment Necessary for Village Operations.* The Village of Coal City financed the renovation of much of its vehicle and equipment fleet in 2008. The final payment on this debt was made in FY13 and enables Village departments to acquire additional necessary fleet items. The Proposed Budget includes the purchase of a dump truck, sewer/vactor truck, mini-excavator, 3 police squads, and a pick-up truck for the water/sewer division. In addition to these vehicles, this “short-term” uncollateralized financing will be utilized to pay for the water treatment tank rehabilitation, installation of a new computerized operating system and re-construction of some of the worst portions of water main within the Village.
- *Re-Evaluation of Coal City 2007 Comprehensive Plan and 2009 Strategic Plan.* These documents must be revised from time to time to ensure they are relevant to the philosophy of the Board of Trustees and reflect the desires of the community. Recent annexations require the reconsideration of the Village's facility planning area. This action requires energy and time and has been granted \$100,000 by the Illinois DCEO for its completion. This plan will have an emphasis on necessary engineering designs on Broadway as well as setting a plan for parks throughout Coal City.
- *Connection of Sewer utility to Prairie Oaks.* The Village along with the residents of Prairie Oaks has secured DCEO funding for approximately ½ of the improvement cost to connect to the Village's sanitary utility after annexation. Although construction has not begun, this project has been included within this year's budget in order to provide an extension of nearly 2 ½ miles of forced main to replace an inefficient subdivision system that does not meet current standards. Timely completion of this project will ensure the availability of state assistance for this project.
- *Gordon Lift Station Replacement & Improvement.* One of the primary repair items within the Village's Storm Improvements was the replacement of the Gordon Lift Station. This project has begun and will result in greater capacity of sanitary outflow from the connecting neighborhoods located along Oak Street southward and Marguerite westward. This will also provide a gravity sanitary main along the Village's bikepath as well as a connection point for the Village of Carbon Hill. This project should be concluded by the end of this summer.
- *Final Storm Referendum projects Planned.* Since 2009, the Village has been completing many projects related to its Storm Report of 2008 and existing Storm Water Plan. The final portion of the \$6.0 million in bonds that was sold is scheduled for design and construction in 2013. While the Gordon Lift Station project is being completed and the 2nd Street project will

continue to receive restoration work, new projects are planned for areas adjacent to Broadway & Elm to increase storm water flows from the neighborhoods south of the BNSF railroad crossing with Broadway. In addition to this project, neighborhoods adjacent to the Gordon Lift Station and the area northwest of Broadway & Division will receive storm water infrastructure improvements as well.

- *Water Main Repairs Planned for Failing Portions of the Water Delivery System.* The Village maintains an aged water delivery infrastructure. Portions of line in need of renewal have been identified due to their continual failure over the past ten years. Rather than pay for more costly repair and take customers out of service without notice, reconstructing portions of the infrastructure will assist with providing more reliable service. The portions of line planned for replacement in the FY14 Proposed Budget include Blackstone between Kankakee and Vermillion, Park between Kankakee and Vermillion, the east Broadway alley between Chestnut and Walnut, and Maple between Mazon and Illinois.

I would like to take this opportunity to thank the Trustees and the Mayor with entrusting the Village staff with the task of collecting the municipal revenues on behalf of the Coal City residents and expending them within the constraints of the annual budget. Staff within each of the departments has been especially efficient over the past year attempting to maintain operations despite staffing and budgeting constraints. In regards to creating this annual budget, the talents of the administrative staff were especially beneficial.